

Message Text

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PAGE 01 EC BRU 11378 192344Z

15

ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01 CIAE-00

CIEP-02 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-15

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-10

FRB-01 LAB-04 SIL-01 /123 W
----- 052451

R 191812Z NOV 76

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 2371

INFO ALL EC CAPITALS 2755

USMISSION OECD PARIS

UNCLAS EC BRUSSELS 11378

E.O. 11652:N/A

TAGS: ENGR,EFIN,EEC

SUBJECT: HAFERKAMP STATEMENT TO EUROPEAN PARLIAMENT ON ECONOMIC
SITUATION AND OIL PRICE INCREASE

REF:

(A)EC BRUSSELS 10774

(B)EC BRUSSELS 11131

1.SUMMARY: IN THE CONTEXT OF AN OTHERWISE FAIRLY ROUTINE
STATEMENT TO THE EUROPEAN PARLIAMENT ON THE ECONOMIC SITUATION
IN THE COMMUNITY,EC COMMISSION VICE PRESIDENT HAFERKAMP MADE
A STRONG STATEMENT ON THE DAMAGING EFFECTS OF AN OIL PRICE INCREASE
ON THE WORLD ECONOMY,AND ON THE COMMUNITY IN PARTICULAR.
HE ALSO EXPRESSED THE VIEW THAT,DESPITE RECENT ECONOMIC
SLUGGISHNESS,NO EXPANSONARY POLICY MEASURES ARE AS YET
JUSTIFIED,END SUMMARY

2.ON NOVEMBER 18, EC COMMISSION VICE PRESIDENT HAFERKAMP
MADE A STATEMENT TO THE EUROPEAN PARLIAMENT ON THE COMMISSION'S
ANNUAL REPORT ON THE ECONOMIC SITUATION(REF A),
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WHICH ALSO INCLUDED A STRONG STATEMENT ON THE DAMAGING EFFECTS

OF AN OIL PRICE INCREASE.A COPY OF THE SUMMARY OF HIS STATEMENT IS
BEING POUCHED TO EUR/RPE ROBERT GELBARD.

3.HAFERKAMP'S COMMENTS ON AN OIL PRICE INCREASE FOLLOW UP THE
EARLIER EC STATEMENT REPORTED REF B.
THEY POINT OUT THAT IN THE PRESENT CONTEXT OF UNSTABLE
EXPECTATONS,RISKS AND UNCERTAINTIES MUST BE CUT TO A
MINIMUM.A FURTHER INCREASE IN OIL PRICES WOULD
DESTROY CONFIDENCE,NOT YET FIRM,IN THE RECOVERY. THE
COMMUNITY WOULD BE PARTICULARLY HARD HIT BY AN INCREASE IN OIL
PRICES,AND THE ECONOMIC TARGETS SET OUT IN THE ANNUAL REPORT WOULD
DEFINITELY NOT BE ACHIEVED.HE
POINTED OUT THE ADVERSE IMPACT ON INFLATION,ON THE ALREADY
PRECARIOUS PAYMENTS SITUATION IN SOME MEMBER STATES,AND
ON GROWTH AND EMPLOYMENT.OIL PRODUCING AND CONSUMING
COUNTRIES ARE DEPENDENT ON ONE ANOTHER,AND "NONE
WOULD BE SPARED IF THE WORLD ECONOMY COLLAPSED." THE
BEHAVIOR OF THE OPEC COUNTRIES WOULD HAVE A DECISIVE
INFLUENCE ON THE ECONOMIES OF THE INDUSTRIALIZED AND
DEVELOPING COUNTRIES AND "ON THE VERY FOUNDATIONS OF
WORLD ORDER."

4.OTHERWISE HAFERKAMP'S STATEMENT ON THE ECONOMIC
SITUATION FOLLOWED THE LINES ALREADY SKETCHED OUT IN
THE EC ANNUAL REPORT.HE CHARACTERIZED THE PROJECTIONS
IN THE ANNUAL REPORT AS "AMBITIOUS TARGETS," WHICH
COULD BE ACHIEVED ONLY IF POSITIVE FACTORS PREVAIL,
AND NO EFFORTS SPARED.THE SLUGGISHNESS OF RECENT
WEEKS HAD CREATED FEARS ABOUT THE STRENGTH AND
DURATION OF THE RECOVERY,BUT EVIDENCE DID NOT,AS
YET,JUSTIFY EXPANSIONARY POLICY MEASURES.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM PRODUCTS, ECONOMIC CONDITIONS, SPEECHES, REGIONAL ORGANIZATIONS, PRICE CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 NOV 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ECBRU11378
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760432-1134
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761131/aaaabajl.tel
Line Count: 93
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: powellba
Review Comment: n/a
Review Content Flags:
Review Date: 03 AUG 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 AUG 2004 by vandyklc>; APPROVED <29 NOV 2004 by powellba>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: HAFERKAMP STATEMENT TO EUROPEAN PARLIAMENT ON ECONOMIC SITUATION AND OIL PRICE INCREASE
TAGS: ENRG, EFIN, EEC, (HAFERKAMP)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006